

Message Text

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C O N F I D E N T I A L STATE 219566

TOSEC 171

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QUOTE C O N F I D E N T I A L STATE 219566

TOSEC 171

QUOTE C O N F I D E N T I A L EC BRUSSELS 6317

E.O. 11652: GDS

TAGS: ENRG, EEC, US

SUBJECT: MEETING OF UNDER SECRETARY CASEY WITH EC COMMISSION
VICE PRESIDENT SIMONET

REF: EC BRUSSELS 6299

1. SUMMARY. IN A MEETING WITH UNDER SECRETARY CASEY, EC
COMMISSION VICE PRESIDENT SIMONET SAID IT IS NOW CLEAR THAT THE
EUROPEAN COMMUNITY WILL NOT RESPOND TO THE OIL SHORTAGE IN
EUROPE AND PARTICULARLY THE EMBARGO AGAINST THE NETHERLANDS AS
A COMMUNITY. THEY WILL RESPOND AS INDIVIDUAL MEMBER STATES AND
QUIETLY RELY ON THE INTERNATIONAL OIL COMPANIES TO REARRANGE
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OIL DELIVERIES IN EUROPE. HE CALLED THE EC COUNCIL DISCUSSION

AN "UNGLORIOUS" RESULT. END SUMMARY.

2. DURING A CALL ON COMMISSION VICE PRESIDENT HENRI SIMONET ON NOVEMBER 7, UNDER SECRETARY OF STATE CASEY POINTED OUT THAT AT THE PRESENT TIME THE UNITED STATES IS SUFFERING MORE FROM THE EMBARGO OF ARAB OIL THAN EUROPE, BECAUSE THE U.S. IS LOSING 16 TO 18 PERCENT OF ITS OIL, WHILE EUROPE IS LOSING 10 PERCENT. SIMONET RESPONDED THAT THE EUROPEANS SEE THE PRESENT SITUATION IN A DIFFERENT PERSPECTIVE, THAT CONSIDERABLE MISTRUST HAD DEVELOPED, AND HE HOPED WE COULD BEGIN TO CLEAR UP MISCONCEPTIONS ON BOTH SIDES BECAUSE HE FELT THE PRESENT DIFFERENCES IN OPINION BETWEEN EUROPE AND THE UNITED STATES ARE VERY WORRYING AND COULD HAVE UNFORTUNATE RESULTS IN OTHER FIELDS THAN ENERGY.

3. SIMONET SAID THAT HIS DISCUSSIONS WITH MINISTERS FROM THE NINE MEMBER STATES LED HIM TO A CONCLUSION THAT EUROPE IS SCHIZOPHRENIC. IN THE FIRST PLACE, EUROPE DOES NOT WISH TO GET MIXED UP WITH AMERICAN INITIATIVES IN THE MIDDLE EAST. IT HOPES TO HAVE A SPECIAL UNDERSTANDING WITH THE ARABS, AND YET IT REACTS NEGATIVELY TO ITS EXCLUSION FROM U.S. NEGOTIATIONS WITH THE SOVIET UNION AND THE ARABS. AT THE SAME TIME, EUROPE IS COMPLETELY DEPENDENT UPON THE UNITED STATES FOR SOLVING THE MIDDLE EAST CRISIS AND THUS INSURING EUROPE OF A CONTINUING SUPPLY OF OIL. EUROPEAN COUNTRIES WISH TO BEHAVE LIKE BIG BOYS BUT REMAIN DEPENDENT ON THE UNITED STATES TO SOLVE THEIR PROBLEMS.

4. REGARDING THE IMMEDIATE CRISIS, SIMONET SAID THAT THE MEMBER STATES DO NOT FACE AN EMERGENCY AND THEIR PRESENT OIL STOCKS ARE SUFFICIENT FOR THEM TO TRY TO BRIDGE A DIFFICULT PERIOD FOR A SHORT TIME. SOME MEMBER STATES WILL TRY SPECIAL DEALS WITH THE ARABS. IT IS CLEAR THAT THE COMMUNITY AS SUCH WILL NOT STEP INTO THE PRESENT SITUATION; THE MEMBER STATES WILL CONTINUE TO DEAL SEPARATELY WITH THE OIL SITUATION; AND INTERNATIONAL OIL CORPORATIONS WILL BE RELIED UPON TO SHIFT THEIR DELIVERIES AS A MEANS OF HELPING THE NETHERLANDS. HE SAID "THE EUROPEAN COMMUNITY DID NOT BEHAVE WELL YESTERDAY" AT THE COUNCIL MEETING.

5. SIMONET CONTINUED THAT HE HOPED THIS LACK OF COMMUNITY ACTION WILL NOT WORSEN THE COMMUNITY SITUATION IN OTHER FIELDS. HE HOPED THAT EUROPE WILL REALIZE BY THE END OF THE YEAR THAT IT

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NEEDS A COMMON PROGRAM AND THE MAJOR POINT IN THAT PROGRAM MUST BE COOPERATION WITH THE UNITED STATES. IT WILL BE DIFFICULT TO GET EUROPEANS TO AGREE TO THIS COOPERATION BECAUSE SOME EUROPEANS NOW SAY THE U.S. DOES NOT CARE ABOUT EUROPE'S ENERGY SITUATION. AS AN EXAMPLE, SIMONET SAID THAT AN UNNAMED MINISTER SAID TO HIM YESTERDAY THAT BECAUSE SAUDI ARABIA IS CLOSE TO THE UNITED STATES, THE SAUDIS COULD ONLY HAVE EMBARGOED EUROPEAN OIL WITH U.S. APPROVAL. SIMONET SAID OF COURSE THIS IS NOT TRUE BUT THAT A MINISTER COULD

SAY IT IS INDICATIVE OF THE MISTRUST WHICH HAS ARISEN BETWEEN EUROPE AND THE UNITED STATES. HE SAID THE COUNCIL RESULTS YESTERDAY WERE "UNGLORIOUS" AND ASKED FOR THE UNDER SECRETARY'S COMMENTS ON THE PRESENT SITUATION.

6. CASEY REPLIED THAT HE AGREED WITH SIMONET'S ANALYSIS AND WENT ON TO SAY THAT EUROPE HAS A CONFLICT BETWEEN ITS SHORT-TERM PROBLEM, WHICH IS TO KEEP THE OIL FLOWING, AND ITS LONG-TERM FUNDAMENTAL INTEREST, WHICH IS TO SEE A POLITICAL SOLUTION TO THE MIDDLE EAST PROBLEM. THE MIDDLE EAST SOLUTION MUST COME PRIMARILY FROM THE U.S. BECAUSE WE ARE ABLE TO TALK TO THE ISRAELIS, BUT THE EUROPEANS MUST SHOW SOLIDARITY, BOTH WITHIN EUROPE AND WITH THE UNITED STATES. A SPLIT BETWEEN THE EUROPEANS WILL ENCOURAGE THE ARABS TO MAKE FURTHER USE OF THEIR OIL WEAPON.

7. IN RESPONSE TO A COMMENT BY SIMONET THAT THE FEELING AMONG SOME EUROPEANS IS THAT EUROPE COULD COPE WITH THE PRESENT SITUATION AND SHOULD DO SO BECAUSE THE UNITED STATES CAN'T BE TRUSTED, CASEY REPLIED HE HAD NOT SENSED THIS KIND OF DISTRUST BUT HAD BEEN MORE AWARE OF EUROPEAN CONCERN ABOUT ARAB REACTION TO SOLIDARITY WITHIN EUROPE AND WITH THE UNITED STATES. FOR EXAMPLE, THERE IS FEAR THAT PARTICIPATION IN A SHARING SCHEME WITH THE U.S. COULD TAINT THE EUROPEANS. HE SAID WE HAVE A COMMON INTEREST NOW IN KEEPING THE OIL FLOWING BUT A STRONGER INTEREST IN A COMMON FRONT WHICH WILL CONTRIBUTE TO A FUNDAMENTAL SOLUTION; WE ARE AWARE OF THE DIFFICULTY IN ACCOMMODATING THIS DUAL OBLIGATION. HE ASKED SIMONET WHETHER HE THOUGHT RELIANCE ON THE MAJOR OIL COMPANIES TO EQUALIZE DELIVERIES WITHIN EUROPE COULD BE ACHIEVED.

8. SIMONET RESPONDED THAT HE DID NOT THINK EUROPEANS COULD DO MORE THAN THAT FOR THE NEXT FEW WEEKS. THE GOVERNMENTS HAVE CONFIDENTIAL

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NOW SAID THEY ARE UNWILLING TO AGREE ON COMMON GOVERNMENTAL ACTION AND SOME MEMBER STATES STILL HOPE FOR BETTER DEALS WITH THE ARABS BY ACTING ALONE.

9. THE UNDER SECRETARY THEN ASKED SIMONET TO COMMENT ON THE PARTICULAR SITUATION IN THE NETHERLANDS. SIMONET REPLIED THAT THE DUTCH LEVEL OF PETROLEUM STOCKS IS RATHER GOOD. HE SAID THE DUTCH WERE NOT AS DEMANDING AS THEY SHOULD HAVE BEEN IN THE COUNCIL DISCUSSIONS AND IN FACT WERE "COMPLIANT." WHILE HE CONTINUES TO FEEL THAT THE COMMUNITY CANNOT BOAST ABOUT THE RESULTS OF THE COUNCIL MEETING, SIMONET FEELS THAT THE ESSENTIAL POINT OF AVOIDING IMMEDIATE FURTHER ARAB CUTS HAS BEEN MAINTAINED. HE HOPED THE NETHERLANDS WOULD BE HELPED BY ITS EUROPEAN PARTNERS; THIS IS NOT SATISFACTORY FROM THE STANDPOINT OF COMMUNITY PROBLEMS BUT HE BELIEVES THERE WILL BE DE FACTO HELP FOR THE DUTCH IN THE

SHORT AND MEDIUM TERM. HE SAID WE MUST BE AWARE THAT AT THE BEGINNING OF THE COUNCIL MEETING ON NOVEMBER 6, SOME MINISTERS FROM CERTAIN MEMBER STATES DID NOT EVEN WANT TO DISCUSS THE OIL SITUATION.

10. SIMONET THEN TURNED TO A DISCUSSION OF COOPERATION WITH THE U.S. COMMENTING ON REMARKS ATTRIBUTED TO HIM LAST WEEK, HE SAID HE DID NOT BELIEVE IN THE NECESSITY FOR A CHARTER OR WRITTEN FRAMEWORK, BUT HE STILL BELIEVES THAT WE NEED A COMMON SET OF PRINCIPLES AND HE IS WORRIED THAT EVENTS OF THE PAST WEEK WILL MAKE IT MORE DIFFICULT TO AGREE ON THOSE PRINCIPLES. HE SAID EUROPE NEEDS COOPERATION WITH THE UNITED STATES MORE THAN THE U.S. DOES WITH EUROPE AND HE IS NOT SURE THAT THE U.S. STILL DESIRES SUCH COOPERATION.

11. CASEY RESPONDED THAT ANY SHARING FORMULA WOULD BE VERY DIFFICULT TO DEVISE AND UNPREDICTABLE TO APPLY. THIS DIFFICULTY ARISES BECAUSE NO COUNTRY WANTS TO SHARE WITH THE TARGET (U.S.) OF AN EMBARGO BECAUSE SHARING WITH THAT TARGET WOULD BRING DOWN THE EMBARGO ON THOSE WHO ARE SHARING. IN ADDITION, THE UNDER SECRETARY POINTED OUT THAT IF WE HAD HAD A SHARING SCHEME BASED ON IMPORTS, EUROPE AT THE PRESENT TIME WOULD HAVE BEEN REQUIRED TO SEND OIL TO THE UNITED STATES. THEREFORE ANY SHARING ARRANGEMENT SHOULD BE ONLY A GENERAL AGREEMENT AND SHOULD BE CARRIED OUT ON AN AD HOC BASIS. CASEY WENT ON TO SAY THAT THE ENERGY PROGRAM WHICH THE PRESIDENT IS TO ANNOUNCE TODAY OR CONFIDENTIAL

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TOMORROW IS AIMED AT INCREASING U.S. OIL PRODUCTION BY ONE-HALF MILLION BARRELS PER DAY AND CUTTING CONSUMPTION BY ONE AND ONE-HALF MILLION; THIS WILL STILL LEAVE US SOMEWHAT SHORT OF OUR ESTIMATED SHORTFALL OF 2.6 MILLION BARRELS PER DAY.

12. SIMONET SUMMARIZED BY STATING THE FOLLOWING THREE POINTS: FIRST, UNFORTUNATELY THE EUROPEANS WILL HAVE TO RELY ON THE UNITED STATES TO TAKE THE INITIATIVE TO COME UP WITH A COMMON APPROACH TO TRY TO SOLVE THE PROBLEM OF STABILIZING ARAB OIL PRODUCTION; SECOND, THE EUROPEANS MUST ALSO RELY ON THE U.S. FOR A LONG-TERM MIDDLE EAST SETTLEMENT TO PREVENT FURTHER ARAB USE OF THE OIL WEAPON; AND THIRD, THE EUROPEANS MUST AVOID FURTHER DISUNITY AMONG CONSUMERS. SIMONET APOLOGIZED FOR THE INCONCLUSIVE NATURE OF THE EUROPEAN RESPONSE TO THE PRESENT CRISIS. HE RECOGNIZED THE DIFFICULTIES OF THE CRISIS AND THE DIFFERENT PERSPECTIVES FROM WHICH WE VIEW THE CURRENT PROBLEM BUT EMPHASIZED IT IS STILL URGENT THAT BEFORE THE END OF THE YEAR WE WORK TOGETHER TO DEVELOP A COOPERATIVE PROGRAM ON ENERGY. HE SAID THAT WE MUST NOT LET THE PRESENT CRISIS DISRUPT WHAT WE BOTH KNOW NEEDS TO BE DONE.

13. DEPARTMENT PASS TO THE SECRETARY AS APPROPRIATE. HARTMAN

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